

# *White & Associates, PSC*

CERTIFIED PUBLIC ACCOUNTANTS

## MANAGEMENT LETTER POINTS

Letcher County School District  
Whitesburg, Kentucky

In planning and performing our audit of the financial statements of the Letcher County School District for the year ended June 30, 2015, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 13, 2015. This letter does not affect our report dated November 13, 2015, on the financial statements of the Letcher County School District. The conditions observed are as follows:

### **LETCHER COUNTY CENTRAL HIGH SCHOOL**

#### **1-15**

Statement of Condition: The Multiple Receipt Form (F-SA-6) is not consistently being dated by the teacher/sponsor when turning in money to the bookkeeper.

Recommendation for Correction: Each day that money is collected from students, the teacher/sponsor will insure that the Multiple Receipt Form (F-SA-6) is properly filled out and dated by the teacher/sponsor. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: Teacher/sponsor will insure that the Multiple Receipt Form (F-SA-6) is properly filled out and dated by the teacher/sponsor and turned in to the school treasurer daily

#### **2-15**

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the

customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management Response to the Recommendation: Ticket sellers will work in teams of two and will follow recommendations for collecting money and tearing tickets. Both will sign the Requisition and Report of Ticket Sales (F-SA-1) form.

### **WHITESBURG MIDDLE SCHOOL**

#### **3-15**

Statement of Condition: Instances of receipts not being deposited timely.

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

#### **4-15**

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

#### **5-15**

Statement of Condition: The vendor invoice or Standard Invoice must have a confirmation signature of the person receiving the goods or services before the payment process can be continued.

Recommendation for Correction: After receiving the product or service, the person receiving the goods or service shall sign the original invoice or Standard Invoice before the school treasurer processes the invoice for payment.

Management Response to the Recommendation: After receiving the product or service, the person receiving the goods or service shall sign the original invoice or Standard Invoice before the school treasurer processes the invoice for payment.

6-15

Statement of Condition: Purchase Orders are being utilized; however there were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

**LETCHER MIDDLE SCHOOL**

7-15

Statement of Condition: The Donation Acceptance Form (F-SA-18) is not being used when donations are collected.

Recommendation for Correction: When donations are given to the school, the Donation Acceptance Form (F-SA-18) must be completed. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: When donations are given to LMS the Donation Acceptance Form (F-SA-18) will be completed. This document along with the money will be be turned in to the School treasurer daily.

8-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: At LMS all money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation

9-15

Statement of Condition: Purchase Orders are being utilized; however there were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: At LMS the person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

**FLEMING NEON MIDDLE SCHOOL**

10-15

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: When money is deposited and receipts written the receipt number will be listed on the deposit slip.

11-15

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: When money is turned in to be deposited the receipt will be written to the person turning money in.

12-15

Statement of Condition: The Donation Acceptance Form (F-SA-18) is not being used when donations are collected.

Recommendation for Correction: When donations are given to the school, the Donation Acceptance Form (F-SA-18) must be completed. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: Donation forms (F-SA-18) will be completed as donations are made and turned in to be deposited.

## **ARLIE BOGGS ELEMENTARY**

### **13-15**

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: ABE will write receipts to the person who turns the money in and sign the Multiple Receipt Form.

### **14-15**

Statement of Condition: The Donation Acceptance Form (F-SA-18) is not being used when donations are collected.

Recommendation for Correction: When donations are given to the school, the Donation Acceptance Form (F-SA-18) must be completed. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: ABE will use the Donation Acceptance Form. ABE will also turn in Donation Acceptance form along with the money to the school treasure daily.

### **15-15**

Statement of Condition: Monies spent on staff and faculty (i.e. coffee) paid out of the Student Vending activity fund account or an account other than faculty/staff revenue generating activity fund account.

Recommendation for Correction: Ensure that monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty; this allows easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to are authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

Management Response to the Recommendation: ABE will ensure that monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty; this allows easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to are authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

### **16-15**

Statement of Condition: Paid invoices are not marked "Paid" with the check number and date paid noted on the invoice.

Recommendation for Correction: After the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

Management's Response to the Recommendation: ABE will clearly mark Paid on the invoice for a written check along with the check numbers and date paid will be noted as well.

#### 17-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: At ABE all money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

### **COWAN ELEMENTARY**

#### 18-15

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: Teachers will need to turn money in on the day that it is collected with supporting document.

#### 19-15

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: All receipts will be written to the person turning them in and not the vendor such as Pepsi or Coke.

#### 20-15

Statement of Condition: Monies spent on staff and faculty (i.e. file folders and sheet protectors) paid out of the Student Vending activity fund account or an account other than faculty/staff revenue generating activity fund account.

Recommendation for Correction: Ensure that monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty; this allows easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to are authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

Management Response to the Recommendation: Only faculty money or vending machines in lounge will be spent on faculty and staff.

#### 21-15

Statement of Condition: Instances of advances for events that involve students being made without proper supporting documentation.

Recommendation for Correction: Make sure that all advances have supporting documentation for all monies spent. The balance in cash shall be receipted in and deposited timely. If the original invoice/receipts are not available, then a Standard Invoice (F-SA-8) shall be completed and signed by the principal, this must also have the payee's signature.

Management Response to the Recommendation: Advanced monies for trips or events will have to have better supporting documentation.

### **LETCHER ELEMENTARY SCHOOL**

#### 22-15

Statement of Condition: Activity Fund account (Grade 2) ended the fiscal year (June 30) with a deficit balance.

Recommendation for Correction: Monies can be transferred between activity fund accounts, as long as money generated by the students goes back to benefiting the students. Monies generated for a specific purpose must be spent on the intended purpose. Any monies transferred to cover deficit balances shall be reimbursed by the deficit account when funds become available. Closer monitoring of activity fund account ending balances before signing off on purchase orders will decrease the chances of accounts becoming deficit.

Management Response to the Recommendation: Funds were transferred into this account to cover the deficit from general funds. Those funds have since been reimbursed to the general fund by Grade 2. In the future, no account will be allowed to end the fiscal year with a deficit balance.

### **MARTHA JANE POTTER ELEMENTARY**

#### 23-15

Statement of Condition: Instances of receipts not written at the time monies were received by the school treasurer.

Recommendation for Correction: Receipts shall be written to the individual giving the monies to the school treasurer at the time the monies are received.

Management's Response to the Recommendation: Martha Jane Potter School treasurer shall write receipts to the individual giving the monies to the school treasurer at the time the monies are received.

24-15

Statement of Condition: Paid invoices are not marked "Paid" with the check number and date paid noted on the invoice.

Recommendation for Correction: After the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

Management's Response to the Recommendation: Martha Jane Potter School treasure shall, after the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

25-15

Statement of Condition: Paid invoices are not consistently being filed in check numerical order by month.

Recommendation for Correction: The school treasurer shall file all documents for a disbursement together by month, in check numerical order.

Management's Response to the Recommendation: The Martha Jane Potter School treasurer shall file all documents for a disbursement together by month, in check numerical order.

26-15

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management Response to the Recommendation: The Martha Jane Potter staff will make sure precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

27-15

Statement of Condition: Gift cards were purchased through the activity funds.

Recommendation for Correction: Purchase of gift cards is not allowed.



Management's Response to the Recommendation: The Martha Jane Potter financial staff will not purchase gift cards through activity funds.

#### **WEST WHITESBURG ELEMENTARY**

##### **28-15**

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: All receipts are being written to the person who turns in the money and is signing the multiple receipt form. This was corrected at the beginning of the school year.

##### **29-15**

Statement of Condition: Instances of receipts not being deposited timely.

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: We will ensure that all deposits are taken to the bank on a daily basis unless it less than \$100. We will ensure that all sponsors understand that deposits have to be turned in daily and deposited. Each deposit is always verified by both the principal and the school book keeper in the deposit ticket book. This has not been an issue. I do disagree with this statement. We always have had two persons verifying.

##### **30-15**

Statement of Condition: Instances of advances for events that involve students being made without proper supporting documentation.

Recommendation for Correction: Make sure that all advances have supporting documentation for all monies spent. The balance in cash shall be receipted in and deposited timely. If the original invoice/receipts are not available, then a Standard Invoice (F-SA-8) shall be completed and signed by the principal, this must also have the payee's signature.

Management Response to the Recommendation: WWE will ensure that all advances being made will have the proper, supporting documentation.

### 31-15

Statement of Condition: Receipts were being written but the original signed receipt is not consistently being given back to the individual turning the monies in.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer (if automated) or manually (if not automated). The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation: All receipts are generated by the computer. All receipts are being written to the person who turns in the money and is signing the multiple receipt form. This was corrected at the beginning of the school year. All original receipts will be given to the person who turned in the monies. School will keep a copy of the receipt for our records.

### 32-15

Statement of Condition: School activity fund money used to provide non-instructional attendance incentives for the compulsory instructional day.

Recommendation for Correction: Insure that all attendance incentives are considered instructional if purchased with activity fund or Board controlled monies. Non-instructional incentives shall be funded by non-tax, non-Board controlled dollars such as donations from local businesses, support/booster organizations or the PTA/PTO.

Management Response to the Recommendation: We will not use any school activity funds to provide non-instructional attendance incentives during the day.

### Central Office

### 33-15

Statement of Condition: During our testing of cash, we noted old outstanding checks on the bank reconciliation.

Recommendation for Correction: We would recommend management review their policies and procedures over bank reconciliations and amend if necessary to ensure all old outstanding checks over six months old are either voided or a new check is reissued.

Management Response to the Recommendation: We will consider the auditor's recommendation.

### 34-15

Statement of Condition: During our testing of capital assets, we noted capital asset additions were noted entered into MUNIS at the end of the fiscal year.

Recommendation for Correction: We would recommend management review their policies and procedures over capital assets and amend if necessary to ensure capital asset additions, deletions, etc. are performed throughout the fiscal year.

Management Response to the Recommendation: We will consider the auditor's recommendation.

#### 35-15

Statement of Condition: During our testing of capital assets, we noted on the detailed capital asset list for the high school certain assets such as a group of equipment were all entered into one capital asset.

Recommendation for Correction: We would recommend management review their policies and procedures over capital assets and amend if necessary to ensure each capital asset is entered separately.

Management Response to the Recommendation: We will consider the auditor's recommendation.

#### 36-15

Statement of Condition: During our testing of cash, we noted two checking accounts that were confirmed and were not on the District's financial statements.

Recommendation for Correction: We would recommend management review their policies and procedures over cash and amend if necessary to ensure all checking accounts are recorded on the District's financial statements.

Management Response to the Recommendation: We will consider the auditor's recommendation.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We would like to add that we have seen a tremendous improvement from the previous year throughout all the schools in the area of internal control compliance.

The following are repeat conditions from the prior year: 2-15, 3-15, 4-15, 5-15, 6-15, 8-15, 11-15, 12-15, 17-15, 18-15, 19-15, 23-15, and 28-15. All other prior year conditions have been implemented and corrected. Mr. Tony Sergent, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

*White & Associates PSC*

White & Associates, PSC  
Richmond, Kentucky  
November 13, 2015